M1045/0078
cc: Leslie

United States Department of the Interior

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IN REPLY REFER TO:
3809 (UTW011)
U-87834

NOV 21 2012

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RECEIVED
NOV 23 2012
DIV. OF OIL, GAS & MINING

Rick Havenstrite
Desert Hawk Gold Corporation
1290 Holcomb Ave
Reno, NV 89502

Dear Mr. Havenstrite:

On February 8, 2010, The Bureau of Land Management (BLM) Salt Lake Field Office received your Plan of Operations (Plan) for the Kiewit Mine Project serialized UTU-87834 (UDOGM permit M/045/0078). Since that time we have received numerous updates and revisions to the Plan. Most recently we received updated text on October 15, 2012 and revised figures on October 29, 2012.

Consistent with the surface management regulations at 43 CFR 3809.411(a), the BLM has reviewed your Plan and the additional information submitted to determine if it meets the content requirements at 43 CFR 3809.401(b). Based on our review of the Plan, and issues identified during the environmental analysis, the following additional information and revisions are required in order for the Plan to be complete:

1) Title Page. Change the title of document to UDOGM Notice of Intention to Commence Large Mining Operations/BLM Plan of Operations. The title page should also include the BLM casefile# (UTU-87834).

2) Introductory sections, pages 1 and 2. Clearly state that the document is not only a Notice of Intention to Commence Large Mining Operations (NOI) but also a BLM plan of operations (Plan). Also, discuss the differences between the NOI and the Plan. For instance, explain the fact that the Yellow Hammer Mine is included in the NOI but not the Plan.

3) As part of your description of operations, please provide a list (preferably in table form listing the size, number, and type) of mobile equipment (trucks, loaders, dozers, graders,

drills, etc.) you will be using during all phases of operations [§3809.401(2)].

4) Please provide a list, in table form, of all hazardous materials/substances, reagents, and fuel (diesel fuel, motor oil, antifreeze, sodium cyanide, etc.) that will be transported to, stored at, used at, or generated by the site. The table should summarize the estimated usage and delivery of the materials, proposed storage amount, and storage method.

5) Per 3809.401(2)(ii), add a section on waste rock facility (waste dump) design. Include detailed cross-sections showing the waste dump on post mine topography (see item 32) Describe how the waste dump will be designed and constructed, how you will minimize contrast with natural topography, slope angles, measures you will take to ensure slope stability and minimize erosion, and prevent ponding of meteoric water. Include a statement that only waste rock from the Kiewit Mine Pit will be deposited in the Kiewit waste dump.

6) The regulations at 43 CFR 3809.420(b)(5) require operators to provide an Interim Management Plan that describes how the project area would be managed during periods of temporary and/or seasonal closure to prevent unnecessary or undue degradation. The interim management plan must include, where applicable, the following:

a) measures to stabilize excavations and workings;
b) measures to isolate or control toxic or deleterious materials (See also the requirements in §3809.420(b)(12)(vii) of the 43 CFR 3809 Regulations);
c) provisions for the storage or removal of equipment, supplies and structures;
d) measures to maintain the project area in a safe and clean condition;
e) plans for monitoring site conditions during periods of non-operation;
f) a schedule of anticipated periods of temporary closure during which you would implement the interim management plan, including provisions for notifying BLM and DOGM of unplanned or extended temporary closures; and
g) in cases of temporary or seasonal closure, you must provide adequate maintenance, monitoring, security, and financial guarantee, and BLM may require you to detoxify process solutions.

7) In addition to meeting the requirements of the Surface Management regulations, your proposed mining activity will also require a 43 CFR Subpart 3715 concurrence for surface occupancy (for your proposed placement of signs, fences/gates, and storage of equipment or supplies). The information required in §3715.3-2 must be provided either separately or within the plan of operations. The written description of the proposed occupancy should describe in detail:

(a) How the proposed occupancy is reasonably incident;
(b) How the proposed occupancy meets the conditions specified in §3715.2 and §3715.2- 1;

(c) Where you will place temporary or permanent structures for occupancy;
(d) The location of and reason you need enclosures, fences, gates, and signs intended to exclude the general public;
(e) The location of reasonable public passage or access routes through or around the area to adjacent public lands; and
(f) The estimated period of use of the structures, enclosures, fences, gates and signs, as well as, the schedule for removal and reclamation when operations end.

In addition, you must provide BLM with a detailed map that identifies the site and the placement of the items specified in (c), (d), and (e) of this section.

8) The Plan states that the Kiewit Mine Pit will not be backfilled. The regulations at 3809.401(3)(iii) require operators to provide information on the feasibility of pit backfilling that details economic, environmental, and safety factors. This includes information on the anticipated backfilling costs, character of the potential backfill material, stability of highwalls or backfill material, size and quantity of potential pit lakes, and safety issues that may be associated with backfilling.

9) **Section 106.2**. Specify where the make-up backfill for the mined areas of the Clifton Shears will come from. Elsewhere in the document (Section 106.9) it is stated that waste rock from the Kiewit Pit will be used.

10) **Section 106.2** of the Plan states 208 days of operation while Section 106.4 of the Plan states 200 days of operation. Please correct the discrepancy.

11) **Section 106.2** (Mining Operations – Clifton Shears). In the description of operations for the Clifton Shears Mine and the associated figures, it is not clear exactly where the mining will be taking place and which parts of the proposed operations are on public vs. private land. Figure 8 and Figure 9 labeled *Clifton Shears Mine* depict three mineralized boundaries. Please clarify whether these coincide with the mining boundaries. Will all three of these areas be mined? If so, what will be the mining sequence?

12) **Section 106.2** (Mining Operations – Clifton Shears). The Plan states repeatedly that "No ore from the NE ¼ of Section 25, Township 8 South, Range 18 West S.L.B.M. will be placed on the cyanide leach pad". Provide an explanation of what will be done with this ore.

13) **Section 106.2** (Mining Operations – Clifton Shears). It is difficult to accurately determine the location of the waste dump and growth medium stockpiles because of the scale of Figure 5. Please show the waste dump and stockpiles on a figure with a scale similar to Figure 8 that includes land status.

14) **Section 106.2** (Mining Operations). This section states that no liners will be placed beneath the ore stockpiles. Based on this statement, please add language stating that no deleterious material will be placed on stockpiles.

15) **Section 106.2** (Crushing Operation Practices). Please provide additional detail on crushing operations including the equipment to be used, stockpiles, processing rates, and a general sequence of operations. Explain how material will be transported to the crushing area, and how it will be transported from the crushing area to the heap leach. Some of this information is included in the Draft EA.

16) **Section 106.2** (Blasting Protocol). Provide an estimated frequency for blasting.

17) **Section 106.2** (Pad Design and Construction) states "The sub-base will be extracted from a disturbed area or imported from a nearby offsite permitted source." Is this sub-base the same as the 2-foot thick base of clay-type material described in the Draft EA (Section 2.2.3)? Provide details such as the location of the source, volumes of material, and plans for transportation of the material. The Plan needs to explicitly state where this material is coming from.

18) **Section 106.2** (Pad Design and Construction). Explain the procedures to be initiated if leakage is detected. What is the emergency or contingency plan if leakage is detected in the pad or pond or in the case of pad/pond failure?

19) **Section 106.2** (Sediment/Settlement Pond). Provide additional explanation to clarify information in the Peak Runoff Calculations Table. For example, provide a sample calculation, an explanation of *zones* (what are they and where are they located), and an explanation or definition of the term *runoff coefficient*.

20) **Section 106.2** (Process Facility and Operation). This section states that the pH of the make-up water should be approximately 7.6. Explain what this estimate is based on.

21) **Section 106.2** (Process Facility and Operation). The Plan needs to state where the cyanide solution is coming from, how it will be transported, volumes and frequency of deliveries to the site, etc. Section 2.2.3 of Draft EA provides some of this information.

22) **Section 106.4** (Nature of Material). The first paragraph states "During mining, DHG will collect a minimum of 8 samples from every 40' depth interval within the pit and separate rock type for Acid Base Analysis by Net Carbonate Value method. Test results will be kept on site for future review". BLM will require that you collect 8 **spatially significant** samples for each rock **and** alteration type from every 40' depth interval within the Kiewit Pit. Samples results should be submitted to BLM as soon as they are available. Please

change the paragraph to reflect this.

This section also states that the operator will regularly test ore to identify Potentially Acid Generating (PAG) rock. Define the frequency of testing. There is some confusion as to what testing will be conducted and what the screening criteria are. For example, it is stated that Acid Base Analysis (ABA) testing will be done using Net Carbonate Value Method. ABA typically stands for Acid Base Accounting. If you are proposing to use Acid Base Accounting you will be required to use the Modified Sobek Procedure, and the screening criteria would be NP<(3xAP), and Net Neutralization Potential or NNP (not NP) less than -20 tons CaCo3/kton . The NNP threshold could also be stated as NNP $\leq$ -20.

The plan states "PAG ore will be transported to an offsite facility for processing, or encapsulated by non-sulfide mineral bearing material within a designated waste dump. Waste rock and other encapsulation material will have at least a net neutralization potential of 20 or a neutralization potential of at least 3x acidification potential… During mine closure, this stockpiled ore will be encapsulated within 10 feet of suitable material." Please clarify whether PAG ore is being permanently or temporarily encapsulated in the waste dump. Also, describe what the "other" encapsulation material would be. What "stockpiled ore" are you referring to?

It is stated that "PAG waste rock will be stacked temporarily within the source pit, or remain in the pit or in designated cells within the waste rock dump. PAG waste will then be encapsulated within suitable waste rock as required in the waste rock handling plan". For what period of time will PAG waste rock be stacked? What will be the final disposition and location. Describe a designated cell (where is it located, how is it constructed). The Plan must state that only material from Kiewit Mine Pit will be placed in the Kiewit waste dump. No outside material will be placed in the Kiewit Pit or Kiewit waste dump without authorization from the BLM.

23) **Section 106.4** (Historic Mining and Disturbance). The first paragraph states "There has been a substantial amount of surface mining and exploration drilling within the Kiewit Project permit boundary by multiple companies over a long period of time. Some of these impacted areas are shown on Figure 5, but because much of the history of these exploration activities is not readily available, the exact locations of all impacted areas cannot be shown or summarized." This paragraph should be more specific regarding the previous mining and exploration activities. List or describe the impacted areas being referred to. If the history and location of these activities is not available, how do you know they exist?

The second paragraph states "The current areas of disturbance within the mine plan include Yellow Hammer, Kiewit Pit, Leach Pad, Crushing Area , haul roads , Kiewit Exploration Permit E/45/0140, and the Clifton Shears." Please characterize the nature of the disturbance in these areas. The BLM is not aware of any existing haul roads in the vicinity of the project area except for those associated with the Yellow Hammer Mine; please explain.

24) **Section 106.6** (Plans for Protecting and Re-depositing Soils). Based on the size of your proposed soil stockpiles, it is likely that the internal portion of the stockpiles will lose viability after sitting for 7-8 years. The Plan needs to address how the viability of the topsoil will be ensured. Possible solutions are enrichment of the soil and/or the use of windrows.

25) **Section 106.8** (Groundwater). The second paragraph states the following:

"Dumont Mining drilled three holes in section 18 near Rodenhouse Wash. Appendix XXII includes drill logs from the Dumont exploration project. Utilizing information from these drill holes, it is estimated that the depth to groundwater in the area will be 300 feet to 400 feet below the surface, at an elevation of approximately 5,400 feet. (See Figure 4C). Alluvial ground water is contained in the upper zones of clay, sand and gravel."

Please characterize the nature of the alluvial ground water. For example, is it part of an alluvial aquifer? What is the depth and extent? Indicate the location (on a map) of the drillholes where it was observed. Appendix XIX, Water Resource Report, Section V(1)(c), page 6 states that the upper zones of clay, sand and gravel are part of the bedrock. Please clarify.

26) **Section 109.1** (Ground Water). This section references "....groundwater, or the shallow alluvial groundwater identified by the drill logs near the pits." Please explain the difference between these two types of groundwater. See comment 25 above.

27) **Sections 106.8 and 109.4** refer to the same granodiorite as both Tertiary and Jurassic. Explain or correct.

28) **Figures 3, 3A, and 5** – The outline of the Herat Mine is not the same on the maps. Please correct for consistency.

29) **Figure 4C** – The map symbols in the legend do not match the symbols in the cross-sections. Please correct the figure.

30) **Figure 5** - The location of the water production well is difficult to distinguish from the monitoring wells. Enlarge the well symbols on the map and legend and/or show the water production well on a map with a smaller scale.

31) **Figures 6 and 7** – Cross-sections should be drawn perpendicular and parallel to the long axis of the mine pit. For clarity, pre- and post-mine topography should be drawn on the same cross-section. The post-mine cross-section should depict the proposed benches.

32) Create additional figure(s) showing the waste dump with cross-sections showing pre- and post-mine topography on the same cross-section. Cross-sections should be perpendicular and parallel to the long axis of the waste dump. §3809.401(2)(ii).

33) **Figures 13, 14, 17** – The land status as depicted is not accurate. Please correct.

In accordance with §3809.412, you are not authorized to engage in any of the activities described in your Plan until this office determines that it is complete, the appropriate level of environmental review under NEPA is completed, you provide the financial guarantee required under §3809.552, the financial guarantee is accepted and successfully adjudicated, and BLM notifies you that you may begin operations.

Please submit the requested information within 60 days of receipt of this letter. If we do not receive the requested information from you in the allotted time, we will consider your Plan to be withdrawn.

If you have any questions, or require additional information, please contact Stephen Allen of my staff at (801) 977-4360.

Sincerely,

Michael G. Nelson
Assistant Field Manager,
Nonrenewable Resources

cc: Oren Gatten, North American Exploration, Inc. 447 North 300 West, Suite #3 Kaysville, Utah 84037-4203

Lennie Boteilho, Ames Construction, 3737 West 2100 South, West Valley City, UT 84120

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